

HOUSE BILL REPORT

HB 1102

As Passed Legislature

Title: An act relating to retirement benefits based on the definition of excess compensation.

Brief Description: Retirement benefits based on excess compensation.

Sponsors: By House Committee on Appropriations (originally sponsored by Representatives Lambert, H. Sommers, Cooke, Carlson, Conway, Ogden and Mason; by request of Joint Committee on Pension Policy).

Brief History:

Committee Activity:

Appropriations: 2/4/97, 2/19/97 [DP].

Floor Activity:

Passed House: 2/28/97, 95-0.

Passed Legislature.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 31 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Benson; Carlson; Chopp; Cody; Cooke; Crouse; Dyer; Grant; Keiser; Kenney; Kessler; Lambert; Linville; Lisk; Mastin; McMorris; Parlette; Poulsen; Regala; D. Schmidt; Sehlin; Sheahan; Talcott and Tokuda.

Staff: Elissa Benson (786-7191).

Background: Earnable compensation— for purposes of determining a state retirement system member's pension is generally defined as salaries and wages payable for services rendered to the employer. Annual leave cash-outs can be included in the earnable compensation of the Public Employees' Retirement System (PERS) I and Teachers' Retirement System (TRS) I members. Members of PERS II, TRS II and III, and both of the Law Enforcement Officers' and Fire Fighters' (LEOFF) Plans may not include any cash-outs in their earnable compensation.

Excess compensation— is all earnable compensation used in the calculation of the retirement benefit *except* regular salary, overtime compensated at up to twice the

employee's regular rate of pay, and annual leave cash-outs in excess of 240 hours. Included in the definition of excess compensation are:

- Cash-outs for sick or any other type of leave;
- Payments for, or in lieu of, personal expenses or a transportation allowance;
- Termination or severance payments;
- Payments added to regular wages concurrent with reduction of annual leave; and
- The portion of any payment, including overtime, that exceeds the employees' regular rate of pay.

Employers are liable for the extra costs to the retirement system generated by retirement benefits based on excess compensation. However, administration of this provision has proved difficult because a key term regular salary– is not defined in statute.

Summary of Bill: The concept of regular salary is removed from the definition of excess compensation. The definition is further clarified by the addition of a definitive list of payment types that will trigger charges to the employer.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: None.

Testimony Against: None.

Testified: None.